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TO RUEHC/SECSTATE WASHDC IMMEDIATE 1374
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C O N F I D E N T I A L JERUSALEM 001383

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NEA FOR FRONT OFFICE; NEA/IPA FOR
WILLIAMS/GREENE/LOGGERFO/WAECHTER; NSC FOR ABRAMS, DORAN,
LOGGERFO; TREASURY FOR ADKINS

E.O. 12958: DECL: 04/03/2016
TAGS: [EFIN](#) [ECON](#) [ETRD](#) [KWBG](#) [IS](#)
SUBJECT: BANKS IN WEST BANK/GAZA TOLD THAT ISRAELI BANKS
WILL CEASE WORKING WITH THEM

Classified By: Consul General Jake Walles for reasons 1.4 (b) and (d).

11. (C) Action request at para 5.

12. (C) Arab Bank Regional Manager Mazen Abu Hamdan told EconChief April 14 that Arab Bank was informed that afternoon by its Israeli correspondent bank, Bank Hapoalim, that all Israeli banks would cease working with commercial banks operating in the West Bank/Gaza. According to Abu Hamdan, Bank Hapoalim said that Arab Bank has two weeks to close its U.S. dollar (USD) accounts with Bank Hapoalim and three months to close its Israeli shekel (NIS) accounts.

13. (C) International Monetary Fund (IMF) Resident Representative Joel Toujas called EconChief to express concern that such a step would have significant trade ramifications for the Palestinian economy. He said that Palestinian imports through Israel are backed up letters of credit issued through Israeli banks. He stressed that it would take time to find other credit arrangements. He also questioned how the Palestinian private sector would pay Israeli suppliers if the payment system is disrupted. Toujas said he had heard that the Israeli banks are taking these steps in response to advice from their U.S. and European lawyers that continued banking relationships with banks in the West Bank and Gaza would expose the Israeli banks to possible litigation.

14. (C) Palestinian Monetary Authority (PMA) Governor told EconChief April 13 that he had spoken earlier to Israeli Central Bank Governor Stanley Fischer and they had agreed to set up a joint working group to ensure that the Palestinian banking system did not face a systemic failure due to the imposition of sweeping counter-terrorist financing regulations by certain parties. He noted the USD 4 billion worth of goods imported through Israel into the West Bank and Gaza each year and stressed that the flow of funds needs to be maintained.

15. (C) Comment/Action request: While the USG has chosen not to work with the new PA government until it meets the Quartet's requirements, our aim is not to disrupt contacts with private Palestinian institutions. Steps such as this risk disrupting the entire Palestinian banking system and precipitating a financial crisis. Given the urgency of the situation, Post believes that Washington should provide guidance to the ConGen and Embassy clarifying that the USG does not intend to block transactions between U.S. persons and private Palestinian institutions (such as the banks) and that we are not encouraging others to do this. End

comment/action request.
WALLES